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C O N F I D E N T I A L SECTION 01 OF 02 YEREVAN 000700

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Classified By: CDA JOSEPH PENNINGTON, REASONS 1.4(B)(D)

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SUMMARY  
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¶1. (C) When President Sargsian announced in late June his intention to invite Turkish President Gul to Yerevan for the September 6 Turkey-Armenia World Cup qualifier, Armenians reacted with skepticism. Armenian media and ordinary citizens expressed doubt that Gul would accept, the Dashnaktsutyun (a junior coalition partner) and opposition leader Levon Ter-Petrossian joined in criticizing the move, and some Sargsian allies -- most prominently former President Kocharian -- expressed reservations. As Yerevan now prepares for Gul's historic visit in the wake of the Georgian crisis, the changed regional landscape and Sargsian's persistent efforts to sell his outreach to Turkey to the Armenian public have consolidated support for the visit and strengthened considerably the President's domestic standing. Whereas Sargsian has shown little appetite for democratic reform, he has effectively used foreign policy issues to enhance his image as a statesman (a role in which he is becoming increasingly comfortable) and to convince Armenians that his administration represents a break with the past. This presents an opportunity for us to push Sargsian hard -- including through high-level engagement -- to follow through with concrete progress on issues of interest to the USG, especially Turkey-Armenia and Nagorno-Karabakh. End summary.

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WHAT A DIFFERENCE TWO MONTHS MAKE  
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¶2. (C) With Yerevan now abuzz with talk of tomorrow's historic visit by President Gul for the Turkey-Armenia football match, few here remember President Sargsian's tentative and awkward announcement of the invitation two months ago in Moscow. Sargsian flubbed the announcement so badly that it was immediately overshadowed by his comment that Armenia may be able to accept the Turkish proposal to form a joint historical commission, an idea that remains anathema to most Armenians. Sargsian's editorial for the Wall Street Journal, which was to have appeared in the days following the announcement, was delayed for weeks due to governmental incompetence. Few Armenians took the invitation seriously, as many assumed reflexively that Gul would never come to Yerevan, while politicians from across the political spectrum took potshots at Sargsian. The President's longtime mentor, former President Robert Kocharian, stated publicly that he would "never have issued such an invitation," while opposition leader Levon Ter-Petrossian dismissed the move as an act of political desperation.

13. (C) Those initial reactions are now yesterday's news, as recent events in Georgia, Sargsian's dogged determination to sell his idea to the public, and Gul's "surprise" acceptance of the invitation have combined to convince most Armenians that the President is on the right track. Although the ultra-nationalist Dashnaks are promising to "remind Gul of the genocide issue" while he is in Yerevan, others have now fallen in behind Sargsian. Ter-Petrossian, whose initial opposition to the invitation smacked of political opportunism, now says he "welcomes" Sargsian's initiative, and has even called off street protests and a scheduled September 5 rally in deference to requests by Armenian security services. Most media, both state-controlled and independent, now support the Gul visit, and numerous man-in-the-street interviews aired on Armenian television have elicited mostly enthusiastic responses. Even Kocharian, whose visceral anti-Turkishness stands in striking contrast to Sargsian's pragmatic approach, has fallen silent. Meanwhile, the President has used every media opportunity to advance his low-key but cumulatively effective efforts to persuade the public. The Russia-Georgia conflict, which has brought Armenians face to face with the prospect of renewed shortages, has reinforced Sargsian's position as the country's only economic lifeline remains under threat.

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SARGSIAN AS STATESMAN?  
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4.(C) Increasingly it appears that President Sargsian, whose appetite so far for democratic reform has been limited, views foreign policy as the best way to address his overriding

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problem -- a lack of political legitimacy at home and abroad. A close embassy contact who knows Sargsian well told us he believes a primary motivation for the President's invitation to Gul was "to enhance his credentials as a statesmen" in the eyes of Armenians. From that perspective, Gul's decision to come to Yerevan is a huge political win for Sargsian, who will likely use the visit as a way to separate himself from Kocharian and to convince Armenians that he represents a true break from the past. Although the evidence for the Sargsian-as-statesman argument is decidedly thin, his consistently constructive stance (both publicly and privately) on the Nagorno-Karabakh issue and careful balancing on Georgia despite significant Russian pressure suggest that Sargsian is seeking to gain acceptance as a responsible international actor.

5.(C) The strategy is not without risks: Armenians' expectations have now been raised, and a failure to produce more concrete steps with Turkey in fairly short order -- especially on the border issue -- would risk the gains Sargsian has made. Similarly, renewed conflict in Georgia or extended problems with key transport links could pose severe tests for the President's fragile legitimacy. Nevertheless, at this point Sargsian is riding high. Even the fiery Ter-Petrossian, who several months ago assured us that the end of the regime was near, seemed chastened at his September 2 press conference. "We will call on the President to resign," he said, but if it doesn't happen "it's not the end of the world."

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COMMENT  
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6.(C) We should be careful not to exaggerate Sargsian's willingness or ability to carry out a fundamental reorientation of Armenia's foreign policy. His options remain limited by Armenia's continued reliance on Russia as its strategic partner, a situation that will not change for the foreseeable future. However, it is clear that Sargsian views the determined isolationism of the Kocharian era not only as a political dead-end, but also as contrary to

Armenia's national interest. This situation presents opportunities for us to push Sargsian hard on issues of importance to the USG, especially Turkey-Armenia and N-K. Sargsian still chafes at perceived slights from the US following his tainted election victory in May, and continues to seek signals from Washington to demonstrate that he is not completely out of favor with the United States. Although we need to continue to push Sargsian on democracy issues, on which there are glimmers of hope but more promises than real progress, we believe the time may be right to engage with him at senior levels on our key interests in the region. End comment.

PENNINGTON